

Pakistan Equities Update: Selective Opportunities Emerging Amid Tactical Consolidation

Following a strong rally that propelled the KSE-100 Index to a historic high of 189,166 on 23 January 2026, the market has retraced to ~173,150 levels, marking a measured correction of just over 9%. Notably, several index-heavy and high-beta names have experienced a sharper pullback than the broader market and are now trading within attractive buying ranges based on our fundamental assessments. We view this phase as a healthy consolidation after an extended advance, creating selective entry opportunities for medium- to long-term investors.

The pullback has been primarily influenced by external risk factors, notably the escalation in U.S.–Iran tensions, which has heightened regional uncertainty and triggered risk-off flows across emerging markets. Given Pakistan’s geographic proximity and economic linkages, local equities—particularly banking, E&P, and cyclical heavyweights—have faced selling pressure as investors reassess external risk premiums.

Domestic developments have added to near-term caution. The temporary closure of the Afghanistan border has disrupted trade and logistics, weighing on export-linked and transport sectors. Additionally, security-related concerns surrounding the strategically significant Reko Diq project have increased investor sensitivity toward resource and energy names, with potential implications for foreign investment sentiment and long-term capital flows.

Political uncertainty has also resurfaced, with speculation regarding the potential release of a prominent political leader on health grounds contributing to short-term volatility. Historically, such developments prompt institutional investors to adopt a more measured stance, leading to reduced participation and profit-taking at elevated levels.

Date: Feb 17, 2026

| | |
|--------------------|----------------|
| Benchmark Index: | KSE-100 Index |
| Last Closing: | 173,150 |
| Highest Closing: | 189,167 |
| Down from Peak: | -8.47% |
| CY26 Index Target: | 227,000 |
| Upside: | 31.10% |

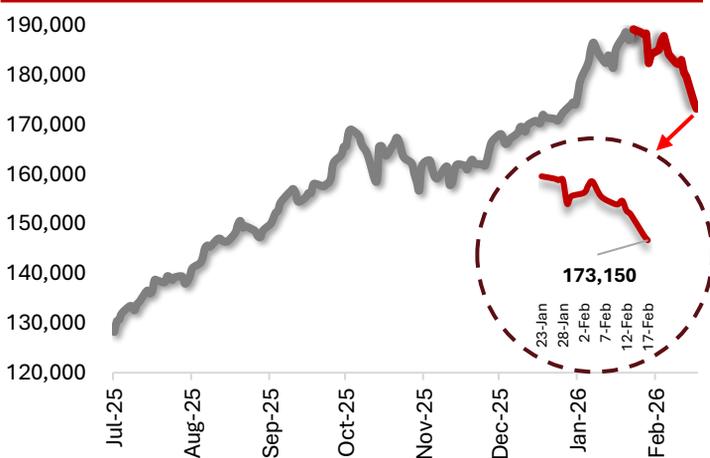
Source (s): PSX, AAML Research

Key Ratios

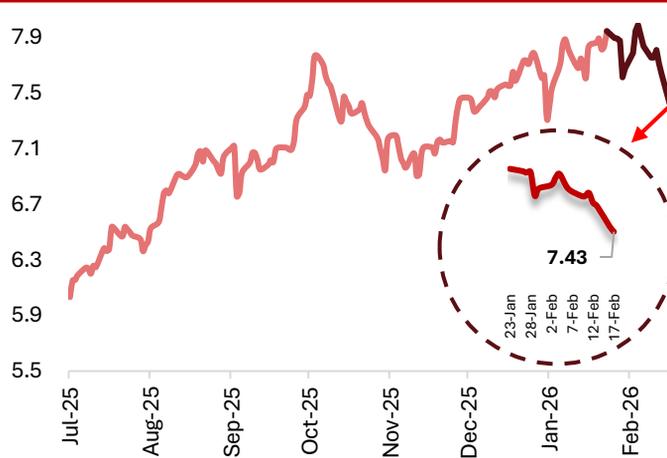
| | TTM | FY26 (f) |
|-----|--------|----------|
| PE | 9.68 | 7.43 |
| PB | 1.56 | 1.68 |
| DY | 5.13% | 6.32% |
| ROE | 17.34% | 17.93% |

Source (s): Bloomberg, AAML Research

KSE-100 Index Trend



KSE-100 Index PE Trend



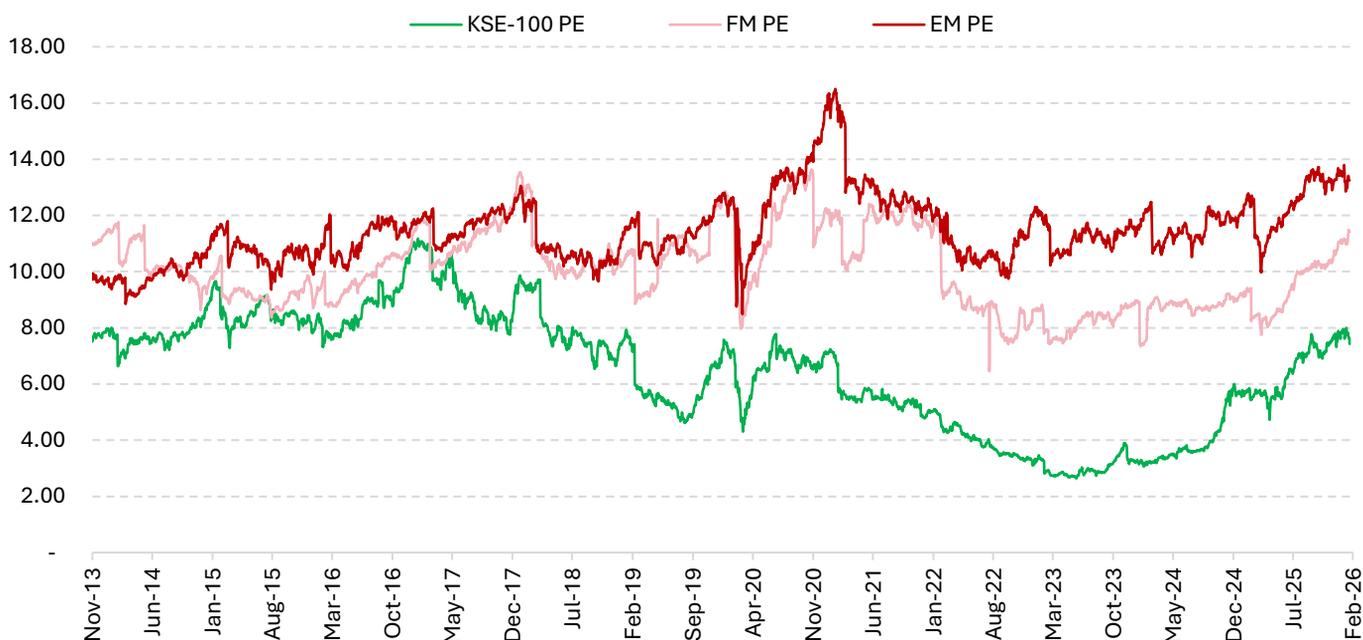


On the corporate front, earnings have largely tracked expectations, reflecting stable underlying fundamentals. However, relatively modest dividend announcements and the absence of anticipated stock split declarations have limited near-term trading catalysts, prompting some profit-taking following the market’s recent rally. As a result, valuations have consolidated despite broadly in-line financial performance.

In aggregate, the recent correction reflects a confluence of geopolitical stress, domestic security and political uncertainty, trade disruptions, and a pause in near-term catalysts rather than any deterioration in structural fundamentals. While volatility may persist in the short-term pending greater clarity on these variables, we believe the ongoing consolidation is presenting selective accumulation opportunities across high-quality franchises within the PSX.

The recent pullback has brought the market down to an attractive forward P/E multiple of 7.4x, materially below historical averages and regional peers. At current levels, this implies a compelling re-rating opportunity with an expected upside of approximately 30% to our **CY2026 KSE100 Index target of 227,000**. We encourage investors to take advantage of the current valuation gap and position themselves for the next upcycle through professionally managed equity funds offered by Alfalah Asset Management Limited. — including the **Alfalah GHP Alpha Fund** and **Alfalah Islamic Stock Fund** — which are well-placed to generate alpha in the current environment.

KSE-100 PE vs Frontier & Emerging Markets PE:





Alfalsh Investments

RATED **AM1**
by VIS & PACRA

Alfalsh GHP Stock Fund

387.47%*

*Three years performance till 31st Jan, 2026.

Benchmark: 352.82%

Risk Profile: High
(High Risk of Principal Erosion)

| PERIOD | RETURN | BENCHMARK |
|-------------------------|---------|-----------|
| FY21 | 38.89% | 37.58% |
| FY22 | -19.86% | -12.28% |
| FY23 | -0.85% | -0.21% |
| FY24 | 95.65% | 89.24% |
| FY25 | 63.30% | 60.15% |
| ITD | 22.34% | 17.43% |
| YTD | 48.54% | 46.60% |
| 1 year Trailing Return* | 51.39% | 61.19% |

These returns are on absolute basis

Fund Category: Equity Scheme, Fund Stability Rating: Not yet rated

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 - All returns are calculated assuming reinvested dividends

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